Manitoba

ANNUAL REPORT

1983 - 1984

The Manitoba
Beef Commission

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ANNUAL REPORT 1983 - 84

MANITOBA BEEF COMMISSION
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December 10, 1984

The Honourable Bill Uruski
Minister of Agriculture
Room 166 Legislative Building
Winnipeg, Manitoba

Dear Sir:

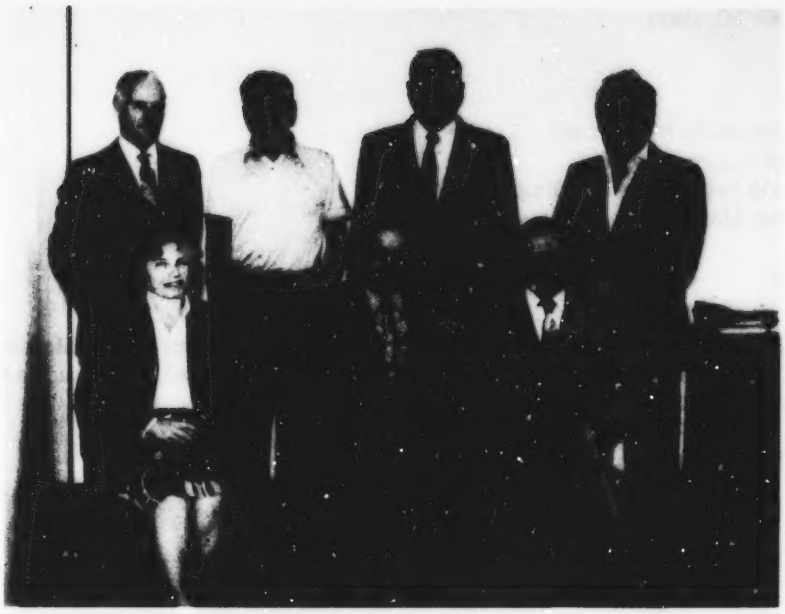
I have the honour of presenting herewith the 2nd Annual Report of The Manitoba Beef Commission for the 12 month period ending March 31st, 1984, accompanied by the Audited Financial Report for the same period.

Respectfully submitted,

Rudy Usick

Rudy Usick
Chairman
Manitoba Beef Commission

The Manitoba Beef Commission
Board of Directors



Back Row Left to Right

Clare Geddes *2nd Vice-Chairman* *Pilot Mound*	*Jim Chegwin* *Director* *Swan River*	*Dennis Trinder* *Director* *Russell*	*George Geisel* *Director* *Ochre River*

Front Row Left to Right

Virginia Mariash *Director* *Beausejour*	*Rudy Usick* *Chairman* *Erickson*	*John Johnson* *Vice-Chairman* *Vogar*

Background

On April 1, 1982, the Honourable Bill Uruski, Minister of Agriculture, announced funding for a major beef stabilization and marketing plan for Manitoba. The Manitoba Beef Commission with the resulting activities detailed in this report is the result of that commitment.

Objectives

1. To enhance the economic viability of the beef producers in Manitoba through the strengthening, expansion, and unification of the total beef industry within the Province.

   The Commission believes a viable beef industry includes:
   (a) the primary producer, (b) the country auction system, (c) the custom feed lots, and (d) the packing house industry.

2. To develop and administer a stabilization insurance fund that provides economic stability and confidence to the primary beef producer allowing for long term planning.

3. To develop and administer an orderly marketing system that strengthens the producer's position and provides greater efficiencies in the price determination and procurement process.

4. To assist and encourage the retention, growing, finishing, and processing of a greater number of Manitoba produced calves in Manitoba through financial and technical assistance.

The Concept

The principles involved:

1. an on-going plan, with provision to join or opt out at any time.

2. stabilization on three classifications: calves, feeders, and slaughter.

3. three levels of support to choose from in each classification.

4. jointly funded by the Province and the producers, with provision to blend into a Federal plan.

5. slaughter animals to be marketed through the central desk concept and prices received and producers settled on a "pooled" basis.

6. administration by a Beef Commission operating independently but in close cooperation with Manitoba Department of Agriculture support services.

7. additional financial aid plans, such as cash advances, feeding loans, or facility improvement loans, to complement and aid the industry.

The Commission

In September of 1982, the terms and conditions of the Manitoba Beef Commission were established by Regulation 217/82 under The Natural Products Marketing Act.

Purpose of the Commission is to administer a provincial stabilization and marketing plan.

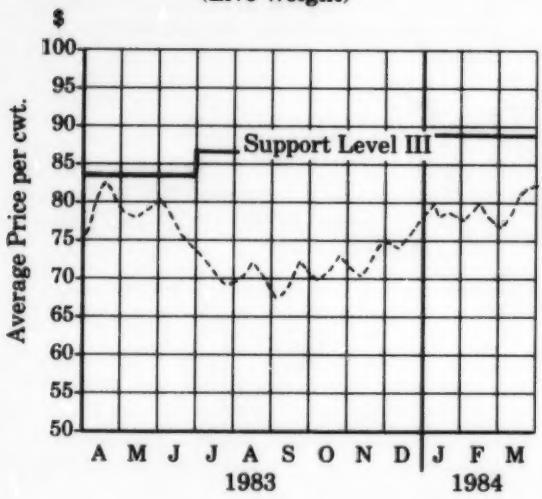
A seven member producer Board of Directors was appointed to develop, implement and administer the Stabilization and Marketing Plan. The activities of the Board and Commission fall under the supervision of The Manitoba Natural Products Marketing Council.

During the fiscal year under review, the Board held 12 regular board meetings and two joint meetings with the Saskatchewan Beef Stabilization Board. During the current fiscal year, 30 information meetings were held at various country points.

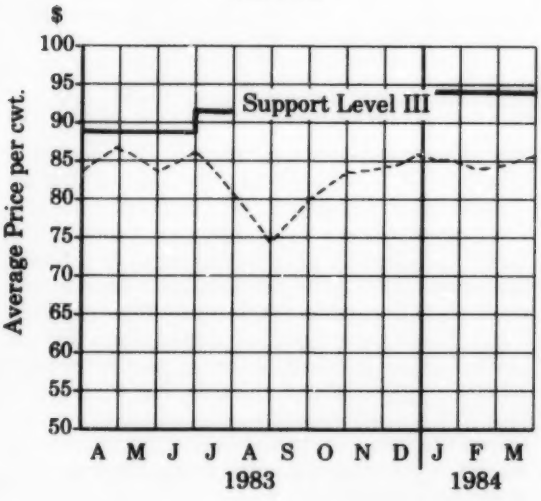
The Stabilization Plan

The following charts indicate how the market price moved over the fiscal year relative to the support level. On July 1, 1983 and January 1, 1984 support levels were increased 3.59% and 2.34% respectively to reflect changes in production costs. During the year, sizeable payments were made to producers out of the Stabilization Fund. There were, however, times when the market price was close to the support price for all classes of stabilized animals. The Plan has provided income stability since producers received the same net proceeds per pound for marketing the same quality animal during a given pool period.

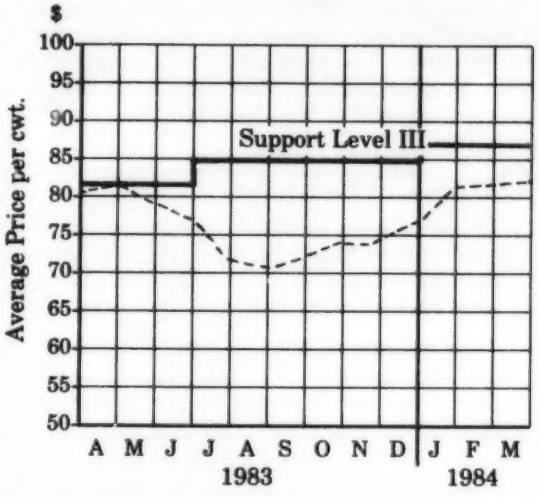
Average Market Prices
Slaughter
(Live Weight)



Average Market Prices
Calves



Average Market Prices
Yearlings



Participation

Prior to the fiscal year under review, the Commission had accepted 4,822 contracts registering 259,476 head of cows. During the year, 83 new contracts were received and 111 terminations were processed. Many of the initial terminations were contracts that never became operational. They represented applications made in error or without adequate knowledge of the program's requirements.

At the close of the fiscal year, the Commission was operating with 4,794 active contracts registering a basic cow herd of 258,979 head.

Operating Details

Slaughter cattle are pooled on a weekly basis by sex, grade, and weight classification. The pooled price determines the settlement price to the Producer, with the A1 and A2 pooled steer price determining the amount of stabilization to be paid. Any stabilization to be paid on slaughter cattle is included in the producer settlement cheque.

Unfinished cattle may be marketed at a place and method of the producer's choice providing:

(a) the settlement cheque is made out in the name of the Commission and routed through the Commission, and

(b) the settlement statement clearly indicates the price and total value supported by bona-fide weigh slips from a recognized livestock scale.

The Commission pays the producer a settlement on the basis of selling price less producer premiums. Stabilization payments are made in the month following the month of sale after the monthly average price has determined the rate of stabilization.

The support level initially set for the three classifications of stabilized animals was relative to the twelve cost of production indicators listed in the contract and the prevailing market prices. Built into the Plan is a provision for the support level to be reviewed twice yearly (January 1st and July 1st). Producer premiums may be adjusted as required.

The amount of stabilization to be paid is determined as follows:

For slaughter animals — difference between the weekly "pool" price for A1 and A2 steers in the standard weight category and the support level.

For feeders — difference between the monthly average price for large frame lean feeder steers over 600 lbs. and the support level.

For calves — difference between the monthly average price for good stock steer calves in the 400 - 600 lb. weight range and the support level.

Finished Marketings

The 1983/84 fiscal year comprises the first full year of M.B.C. Central Desk Marketing. During this period, 58,818 slaughter cattle were marketed involving 6,351 sales-transactions at a market value of $43,262,938. with marketing fees earned amounting to $216,035.

Major purchasers of M.B.C. slaughter cattle included all of the five federally inspected slaughter plants and 12 provincially inspected rural abattoirs.

Final Grades realized on above volume:

A1-2 Grades —	50,718 hd. or 86.3%
A3-4 Grades —	2,319 hd. or 3.9%
B1-2 Grades —	3,478 hd. or 5.9%
C1-2 Grades —	1,449 hd. or 2.5%
D1-5 Grades —	708 hd. or 1.2%
E1-2 Grades —	146 hd. or 0.2%
Total	58,818 hd. or 100.0%

Unfinished Marketings

Under the calf and feeder cattle aspect of the stabilization plan the Commission stabilized 99,828 head of unfinished cattle.

Recognizing the loss to the provincial economy when unfinished animals are marketed and moved out of the province, the Commission worked hard to encourage One Owner Finishing. A major promotional effort was put forth in August and September to demonstrate the benefit of marketing a finished product; and of the assistance available to overcome any obstacles in doing so.

This promotional effort and the readiness of many producers to benefit from the opportunity to help themselves was instrumental in reducing the outflow of unfinished cattle in the fall of 1983.

Manitoba Agricultural Credit Corporation

To maintain on-farm cash flow during the transition period from marketing calves to that of finished animals the Manitoba Agricultural Credit Corporation provided short term cash advances or custom feeding loans. While M.A.C.C. provided the funds and administered this aspect, the Beef Commission cooperated in the repayment process by forwarding the proceeds to M.A.C.C. when the cattle are marketed.

From start up date to March 31st, 1984, 321 such loans had been issued amounting to $5.1 million and covering approximately 15,000 head of cattle. During the same period 69 of the above loans had been repaid in the amount of $1 million.

The Manitoba Beef Commission
Report of The Provincial Auditor's Office

We have examined the financial statements, being Exhibits A, B, C, D and E, of The Manitoba Beef Commission for the fiscal year ended March 31, 1984. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Commission as at March 31, 1984 and the results of its operations for the year then ended in accordance with the accounting policies stated in note 2 to the financial statements applied on a basis consistent with that of the preceding period.

W.K. Ziprick, C.A.,
Provincial Auditor.

September 14, 1984,
Winnipeg, Manitoba.

EXHIBIT A

The Manitoba Beef Commission

Balance Sheet
as at March 31, 1984

	1984	1983
Assets		
Current assets:		
Funds on deposit with the Minister of Finance and in bank	$ 839,760	$ 1,216,111
Term deposit with the Minister of Finance	2,000,000	—
Accounts receivable:		
Packers and auction marts	804,673	890,316
Producers, less allowance for doubtful accounts (Note 3)	189,490	425,149
Province of Manitoba	36,076	499,789
Inventory	8,045	28,820
	$ 3,878,044	$ 3,060,185
Liabilities and Fund Balances		
Current liabilities:		
Accounts payable:		
Producers	$ 1,991,643	$ 1,601,439
Producers — retroactive marketing	—	937,477
Trade accounts	67,226	64,423
	2,058,869	2,603,339
Advance from the Province of Manitoba (Note 4)	10,000,000	4,000,000
	12,058,869	6,603,339
Fund balances:		
Stabilization Fund (Deficit), Exhibit C	(8,204,103)	(3,559,527)
Administration Fund, Exhibit E	23,278	16,373
	(8,180,825)	(3,543,154)
	$ 3,878,044	$ 3,060,185

Approved by:

Rudy Usick
Chairperson

Director

The accompanying notes are an integral part of the financial statements.

THE MANITOBA BEEF COMMISSION

PRODUCER FUND
STATEMENT OF OPERATIONS

EXHIBIT B

	For the Year Ended March 31, 1984			For the Month of March 1983		
	Finished Cattle	Unfinished Cattle	Total	Finished Cattle	Unfinished Cattle	Total
Revenue:						
Proceeds on sale of cattle	$42,715,529	$43,125,965	$85,841,494	$ 2,099,296	$ 3,799,800	$ 5,899,096
Packer, auction mart, insurance claims and miscellaneous	27,894	14,904	42,798	1,968	—	1,968
Net pool adjustments from (to) Administration Fund, Exhibit E	3,576	55	3,631	(261)	(54)	(315)
Total revenue	$42,746,999	$43,140,924	$85,887,923	$ 2,101,003	$ 3,799,746	$ 5,900,749
Distribution:						
Assessments:						
Producer premiums, Exhibit C	$ 2,169,154	$ 2,707,760	$ 4,876,914	$ 105,705	$ 240,605	$ 346,310
Marketing fees, Exhibit E	219,076	—	219,076	10,669	—	10,669
	2,388,230	2,707,760	5,095,990	116,374	240,605	356,979
Direct charges:						
Assembly fees, etc.	89,437	97	89,534	4,663	—	4,663
Freight	13,554	—	13,554	967	—	967
Insurance	782	4,821	5,603	185	—	185
Manitoba Cattle Producers Association dues	469	4,046	4,515	30	408	438
	104,242	8,964	113,206	5,845	408	6,253
Producer settlements	40,254,527	40,424,200	80,678,727	1,978,784	3,558,733	5,537,517
Total distribution	$42,746,999	$43,140,924	$85,887,923	$ 2,101,003	$ 3,799,746	$ 5,900,749

The accompanying notes are an integral part of the financial statements.

EXHIBIT C

The Manitoba Beef Commission

Stabilization Fund
Statement of Revenue and Expenditure and Deficit

	For the year ended March 31, 1984	For the seven months ended March 31, 1983
Revenue:		
Producer premiums:		
Producer Fund, Exhibit B	$ 4,876,914	$ 346,310
Direct from producers	183,320	29
Retroactive marketings	27,273	2,816,344
	5,087,507	3,162,683
Provincial premium contributions	2,240,624	1,624,442
Recovery of stabilization payments (Note 5)	231,250	—
Total revenue	$ 7,559,381	$ 4,787,125
Expenditure:		
Stabilization payments:		
Pool deficiency	$12,057,930	$ 416,153
Retroactive deficiency	81,136	7,930,499
Bad debt expense	64,891	—
Total expenditure	$12,203,957	$ 8,346,652
Excess of Expenditure over Revenue	4,644,576	3,559,527
Deficit, beginning of year	3,559,527	—
Deficit, end of year, Exhibit A	$ 8,204,103	$ 3,559,527

The accompanying notes are an integral part of the financial statements.

EXHIBIT D

The Manitoba Beef Commission

Productivity Enhancement Grant Fund
Statement of Operations

	For the year ended March 31, 1984	For the seven months ended March 31, 1983
Grant from the Province of Manitoba	$ 33,380	$13,722,220
Recoveries of grants from producers	290,538	—
Less: Bad debt expense	43,156	—
	247,382	—
	$ 280,762	$13,722,220
Distribution:		
Producers	$ 33,380	$13,722,220
Province of Manitoba	247,382	—
	$ 280,762	$13,722,220

The accompanying notes are an integral part of the financial statements.

EXHIBIT E

The Manitoba Beef Commission

Administration Fund
Statement of Revenue and Expenditure and Retained Funds

	For the year ended March 31, 1984	For the seven months ended March 31, 1983
Revenue:		
Grant — Province of Manitoba	$392,395	$265,000
Interest	135,756	3,042
Marketing fees, Exhibit B	219,076	10,669
Miscellaneous	1,003	750
Recovery of provincial premium contributions on cancellation of producers' contracts (Note 7)	11,697	—
Total revenue	$759,927	$279,461
Expenditure:		
Advertising and promotion	$ 16,947	$ 11,638
Audit	19,950	5,000
Bank charges	2,459	—
Computer services and equipment	115,254	30,011
Directors' fees and expenses	44,263	33,991
Delivery	6,231	559
Dues and subscriptions	322	281
Furniture and fixtures	18,937	16,854
Hall rentals	1,682	875
Health and post-secondary education tax levy	6,706	1,779
Fieldmen and inspections	22,371	9,997
Miscellaneous	4,322	1,236
Net pool adjustments to (from) producer fund, Exhibit B	3,631	(315)
Postage and telephone	13,104	1,668
Printing and stationery	24,226	28,481
Repairs and maintenance	1,858	249
Salaries and employee benefits	440,685	116,463
Travel	10,074	4,321
Total expenditure	$753,022	$263,088
Excess of Revenue over Expenditure	6,905	16,373
Balance, beginning of year	16,373	—
Balance, end of year, Exhibit A	$ 23,278	$ 16,373

The accompanying notes are an integral part of the financial statements.

The Manitoba Beef Commission

Notes to Financial Statements for the year ended March 31, 1984

1. Status of the Commission

The Manitoba Beef Commission was established on September 1, 1982 by regulation under the Natural Products Marketing Act, to administer regulations respecting the marketing of beef.

The Commission has administrative responsibility for the following:

a) The Manitoba Beef Marketing Plan was established September 1, 1982 by regulation under the Natural Products Marketing Act. The purpose of this Plan is to maximize the return to the producers in the marketing of beef.

b) The Manitoba Beef Stabilization Plan was established September 1, 1982 by regulation under the Farm Income Assurance Plans Act. The purpose of this Plan is to improve the income stability of participating beef producers. There was also support for a limited period through payment of a special Productivity Enhancement Grant to producers joining the Plan. In accordance with the regulations, separate accounts were established for these operations.

The Producer Fund was established on March 1, 1983 to account for the sales of finished and unfinished cattle marketed under the Manitoba Beef Marketing Plan.

The Stabilization Fund was established effective September 1, 1982 for operation of the Manitoba Beef Stabilization Plan. It accounts for the collection of premiums from producers enrolled in the Manitoba Beef Marketing Plan, and from the Province and the stabilization payments to producers.

The Productivity Enhancement Grant Fund was established to account for payment of a Productivity Enhancement Grant to each producer joining the Manitoba Beef Marketing Plan up to January 21, 1983.

The Administration Fund was established to account for the Commission's administrative and marketing operations.

2. Significant accounting policies

a) The financial statements have been prepared on an accrual basis of accounting except for capital acquisitions which are being charged to operations at cost in the year acquired.

b) The Commission maintains separate divisions in its accounts for the activities of the Producer Fund, Stabilization Fund, Productivity Enhancement Grant Fund and the Administration Fund. The assets and liabilities of all of the funds are combined on the balance sheet.

c) The Province of Manitoba pays interest charges on the advances to the Commission and provides office space, certain legal, administrative and field services. These expenses are not reflected in the financial statements.

3. Accounts receivable — producers

The accounts receivable from producers of $189,490 ($425,149 — 1983) consists of:

	1984	1983
Stabilization payments recoverable	$200,208	$ —
Productivity enhancement grants	57,861	—
Premiums	27,574	414,620
Other	8,588	10,529
	294,231	425,149
Less: Allowance for doubtful accounts	104,741	—
	$189,490	$425,149

4. Advance from the Province of Manitoba

The Province of Manitoba authorized repayable advances to the Commission of up to $14,000,000 for the purpose of funding the deficit of the Stabilization Fund when revenues are not sufficient to pay the producers' stabilization payments under the Manitoba Beef Stabilization Plan. At March 31, 1984 the amount advanced to the Commission was $10,000,000 ($4,000,000 — 1983), of which the Commission had drawn $8,123,707 ($3,538,028 — 1983) with the balance of $1,876,293 ($461,972 — 1983) maintained on deposit with the Minister of Finance in a trust account.

Interest is charged on the advances and is paid by the Province of Manitoba. This expense amounted to $610,945 in 1984 (nil — 1983).

5. Termination of contract

A producer may terminate his contract with the Commission at any time. Depending upon the balance of the individual producer account, represented by the producer premiums and stabilization payments, termination by a producer before eight full years will result in a partial return of premiums paid or a partial recovery of stabilization deficiency payments.

6. Productivity Enhancement Grant Fund

The Productivity Enhancement Grant Fund was established to account for the payment of special grants to producers joining the Manitoba Beef Marketing Plan during a limited enrollment period. As at March 31, 1984 the Commission had not requested funds from the Province for producers in the amount of $48,383 ($154,851 — 1983).

The grants are not fully earned by the producers until they have completed four years of enrollment in the Plan. Any recoveries from producers terminating their contracts before the grants are fully earned are repayable to the Province.

7. Recovery of provincial premium contributions

The provincial premium contribution portion of the stabilization payments recovered from producers is transferred to the Administration Fund. For the year ended March 31, 1984 the recovery of the provincial premium contributions transferred to the Administration Fund was $11,697, which represented a recoverable amount of $28,015 less bad debt expense of $16,318.

8. Economic dependence

The Commission is economically dependent on the Government of the Province of Manitoba.

9. Comparative figures

Comparative figures for the year ended March 31, 1983 have been restated where necessary to conform with the presentation adopted for March 31, 1984.